

Malakoff Limited
ABBREVIATED ACCOUNTS
for the period ended
31 December 2003





DIRECTORS

A Gould
D Stevenson
T Long
C Irvine
K Matheson

SECRETARY

C Duncan

AUDITORS

Baker Tilly
Chartered Accountants
122 Commercial Street
Lerwick
Shetland
ZE1 0HX

BANKERS

The Royal Bank of Scotland
Commercial Street
Lerwick
Shetland

SOLICITORS

N J Risk
Nordhus
Northness Business Park
Lerwick
Shetland
ZE1 OLZ



The directors submit their report and financial statements of Malakoff Limited for the period from 17 January 2003 to 31 December 2003.

PRINCIPAL ACTIVITIES

The company was incorporated on 17 January 2003 and its principal activity during the period was marine and civil engineering.

REVIEW OF THE BUSINESS

Malakoff Limited commenced trading in May 2003, following a management buyout of the assets of Malakoff & Wm. Moore Limited (In Receivership).

The new management has returned a modest profit from the first eight months of trading. This is no small achievement against the background of the disruption caused by the Receivership of the former business and also the setting up of the new company.

Trading conditions in Shetland were extremely difficult in 2003 with many of the company's traditional areas hit by recession. Diversification and the retention of major ongoing contracts have all played a part in counteracting these negative pressures.

The company continues to have the support of the major funding bodies, Shetland Development Trust and Shetland Enterprise Company Limited.

Prospects for the next year are encouraging, as the company has managed to secure a major proportion of its planned workload for the year.

RESULTS AND DIVIDENDS

The trading results for the period, and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the period together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 31 December 2003	At 17 January 2003 or later date of appointment
A Gould	£1 ordinary shares	50,000	—
D Stevenson	£1 ordinary shares	50,000	—
T Long	£1 ordinary shares	50,000	—
C Irvine	£1 ordinary shares	<u>50,000</u>	<u>—</u>



A Gould was appointed as a director on 9 May 2003.
D Stevenson was appointed as a director on 4 April 2003.
T Long was appointed as a director on 9 May 2003.
C Irvine was appointed as a director on 4 April 2003.
K Matheson was appointed as a director on 1 September 2003.
N Gould was appointed as a director on 17 January 2003.
N Gould retired as a director on 4 April 2003.

By order of the board

C Duncan

Company Secretary

30 March 2004



Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO MALAKOFF LIMITED PURSUANT TO SECTION 247B OF
THE COMPANIES ACT 1985



We have examined the abbreviated accounts on pages 6 to 18, together with the financial statements of the company for the period from 17 January 2003 to 31 December 2003 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company's members, as a body, in accordance with section 247B of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and report our opinion to you.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act, and the abbreviated accounts on pages 6 to 18 are properly prepared in accordance with those provisions.


BAKER TILLY

Registered Auditor
Chartered Accountants
122 Commercial Street
Lerwick
Shetland
ZE1 0HX

30 March 2004

Malakoff Limited

ABBREVIATED PROFIT AND LOSS ACCOUNT

for the period from 17 January 2003 to 31 December 2003



		Period from 17 Jan 03 to 31 Dec 03
	Notes	£
Gross profit		1,040,668
Administrative expenses		1,003,307
OPERATING PROFIT	2	37,361
Interest receivable		17
Interest payable	5	(31,855)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,523
Taxation	6	1,810
RETAINED PROFIT FOR THE FINANCIAL PERIOD		3,713

The operating profit for the period arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Malakoff Limited
ABBREVIATED BALANCE SHEET
31 December 2003



	<i>Notes</i>	31 Dec 03 £
FIXED ASSETS		
Intangible assets	7	18,700
Tangible assets	8	917,900
		<u>936,600</u>
CURRENT ASSETS		
Stocks	9	176,229
Debtors	10	686,550
Cash in hand		717
		<u>863,496</u>
CREDITORS		
Amounts falling due within one year	11	736,559
NET CURRENT ASSETS		<u>126,937</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,063,537</u>
CREDITORS		
Amounts falling due after more than one year	12	521,944
		<u>541,593</u>
PROVISIONS FOR LIABILITIES AND CHARGES		
Deferred taxation	14	1,810
Government grants	15	286,070
		<u>253,713</u>
CAPITAL AND RESERVES		
Called up share capital	18	250,000
Profit and loss account	19	3,713
		<u>253,713</u>
SHAREHOLDERS' FUNDS (INCLUDING NON-EQUITY INTERESTS)	20	<u>253,713</u>

These abbreviated financial statements have been prepared in accordance with the special provisions for medium-sized companies under Part VII of the Companies Act 1985.

These abbreviated accounts were approved by the directors on the 30 March 2004 and are signed on their behalf by:

A Gould
 Director

Malakoff Limited

CASH FLOW STATEMENT

for the period from 17 January 2003 to 31 December 2003



	Notes	Period from 17 Jan 03 to 31 Dec 03 £
Net cash flow from operating activities	21	(303,879)
Returns on investments and servicing of finance	21	(31,838)
Capital expenditure and financial investment	21	(974,381)
CASH OUTFLOW BEFORE FINANCING		(1,310,098)
Financing	21	1,044,180
DECREASE IN CASH IN THE PERIOD		(265,918)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		
		31 Dec 03 £
Decrease in cash in the period		(265,918)
Net cash (inflow) from bank loans		(500,000)
Hire purchase		(31,094)
	21	(797,012)
NET FUNDS AT 17 JANUARY 2003	21	–
NET DEBT AT 31 DECEMBER 2003	21	(797,012)



1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

AMORTISATION

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill	- 10 years
Intellectual Property	- 10 years

FIXED ASSETS

All fixed assets are initially recorded at cost.

DEPRECIATION

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	- 50 years
Plant & Machinery	- 5 years
Motor Vehicles	- 4 years

STOCKS

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

WORK IN PROGRESS

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

HIRE PURCHASE AGREEMENTS

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.



1 ACCOUNTING POLICIES *(continued)*

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

DEFERRED GOVERNMENT GRANTS

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

2 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	Period from 17 Jan 03 to 31 Dec 03 £
Amortisation of government grants re fixed assets	(13,930)
Amortisation of intangible assets	1,300
Depreciation of owned fixed assets	69,501
Depreciation of assets held under hire purchase agreements	3,894
Auditors' remuneration	
- as auditors	8,300
- for other services	1,825
	<u>10,125</u>

Auditors' fees

The fees charged by the auditors can be further analysed under the following headings for services rendered:

	Period from 17 Jan 03 to 31 Dec 03 £
Audit	8,300
Accountancy	425
Taxation	1,400
	<u>10,125</u>



3 PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial period amounted to:

	Period from 17 Jan 03 to 31 Dec 03 No
Number of production staff	57
Number of administrative staff	10
	<u>67</u>

The aggregate payroll costs of the above were:

	Period from 17 Jan 03 to 31 Dec 03 £
Wages and salaries	1,041,555
Social security costs	115,038
	<u>1,156,593</u>

4 DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	Period from 17 Jan 03 to 31 Dec 03 £
Emoluments receivable	<u>130,946</u>

5 INTEREST PAYABLE

	Period from 17 Jan 03 to 31 Dec 03 £
Interest payable on bank borrowing	6,726
Finance charges	891
Other similar charges payable	24,238
	<u>31,855</u>



6 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

Period from
17 Jan 03 to
31 Dec 03
£

Deferred tax:

Increase in deferred tax provision (note 14)

Capital allowances

1,810

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 19%.

Period from
17 Jan 03 to
31 Dec 03
£

Profit on ordinary activities before taxation

5,523

Profit on ordinary activities by rate of tax

1,050

Expenses not deductible for tax

760

Capital allowances more than depreciation

(1,810)

Total current tax (note 6(a))

-

7 INTANGIBLE FIXED ASSETS

	Goodwill £	Intellectual Property £	Total £
Cost			
Additions	10,000	10,000	20,000
At 31 December 2003	<u>10,000</u>	<u>10,000</u>	<u>20,000</u>
Amortisation			
Charge for the period	650	650	1,300
At 31 December 2003	<u>650</u>	<u>650</u>	<u>1,300</u>
Net book value			
At 31 December 2003	<u>9,350</u>	<u>9,350</u>	<u>18,700</u>

Malakoff Limited

NOTES TO THE ABBREVIATED ACCOUNTS

for the period from 17 January 2003 to 31 December 2003



8 TANGIBLE FIXED ASSETS

	Freehold Property £	Plant & Machinery £	Motor Vehicles £	Total £
Cost				
Additions	455,105	464,526	72,024	991,655
Disposals	—	(100)	(260)	(360)
At 31 December 2003	<u>455,105</u>	<u>464,426</u>	<u>71,764</u>	<u>991,295</u>
Depreciation				
Charge for the period	<u>5,885</u>	<u>58,421</u>	<u>9,089</u>	<u>73,395</u>
At 31 December 2003	<u>5,885</u>	<u>58,421</u>	<u>9,089</u>	<u>73,395</u>
Net book value				
At 31 December 2003	<u>449,220</u>	<u>406,005</u>	<u>62,675</u>	<u>917,900</u>

Hire purchase agreements

Included within the net book value of £917,900 is £33,020 relating to assets held under hire purchase agreements. The depreciation charged to the abbreviated accounts in the period in respect of such assets amounted to £3,894.

9 STOCKS

	31 Dec 03 £
Raw materials	89,213
Work in progress	<u>87,016</u>
	<u>176,229</u>

10 DEBTORS

	31 Dec 03 £
Trade debtors	564,114
Other debtors	44,526
Prepayments and accrued income	<u>77,910</u>
	<u>686,550</u>

Malakoff Limited

NOTES TO THE ABBREVIATED ACCOUNTS

for the period from 17 January 2003 to 31 December 2003



11 CREDITORS: Amounts falling due within one year

	31 Dec 03
	£
Bank loans and overdrafts	266,635
Payments received on account	27,883
Trade creditors	217,188
PAYE and social security	72,228
VAT	44,786
Hire purchase agreements	9,150
Other creditors	4,847
Accruals and deferred income	93,842
	<u>736,559</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	31 Dec 03
	£
Bank loans and overdrafts	<u>266,635</u>

Securities held over the company's assets are as follows:

1. Bond and floating charge over all the company assets,
2. Second floating charge over all the company assets,
3. Standard security over subjects at Westshore, Scalloway, Shetland.
4. Standard security over subjects at Northness, Lerwick, Shetland.
5. Standard security over workshop, stores, pier, and shed at Westshore, Scalloway, Shetland.
6. Standard security over jetties, bulkwark, pier, and slipway at Northness, Lerwick, Shetland.

12 CREDITORS: Amounts falling due after more than one year

	31 Dec 03
	£
Bank loans and overdrafts	500,000
Hire purchase agreements	21,944
	<u>521,944</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	31 Dec 03
	£
Other loans	<u>500,000</u>

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

	31 Dec 03
	£
Other creditors including taxation and social security	<u>307,380</u>

Malakoff Limited

NOTES TO THE ABBREVIATED ACCOUNTS

for the period from 17 January 2003 to 31 December 2003



13 COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	31 Dec 03 £
Amounts payable within 1 year	10,406
Amounts payable between 2 to 5 years	24,956
	<u>35,362</u>
Less interest and finance charges relating to future periods	(4,268)
	<u>31,094</u>
Hire purchase agreements are analysed as follows:	
Current obligations	9,150
Non-current obligations	21,944
	<u>31,094</u>

14 DEFERRED TAXATION

	Period from 17 Jan 03 to 31 Dec 03 £
The movement in the deferred taxation provision during the period was:	
Profit and loss account movement arising during the period	1,810
Provision carried forward	<u>1,810</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	Period from 17 Jan 03 to 31 Dec 03 £
Excess of taxation allowances over depreciation on fixed assets	1,810
	<u>1,810</u>

15 GOVERNMENT GRANTS

	31 Dec 03 £
Received and receivable:	
Receivable during period	300,000
At 31 December 2003	<u>300,000</u>
Amortisation:	
Credit to profit and loss account	13,930
At 31 December 2003	<u>13,930</u>
Net balance at 31 December 2003	<u>286,070</u>

Malakoff Limited

NOTES TO THE ABBREVIATED ACCOUNTS

for the period from 17 January 2003 to 31 December 2003



16 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	31 Dec 03	
	Land and buildings	Other
	£	£
Operating leases which expire:		
Within 1 year	7,500	—
After more than 5 years	6,694	2,000
	<u>14,194</u>	<u>2,000</u>

17 CONTINGENCIES

There is a contingent liability to repay all or part of a £300,000 grant should the company breach grant conditions prior to May 2008.

18 SHARE CAPITAL

	31 Dec 03 £
Authorised:	
250,000 Ordinary shares of £1 each	250,000
50,000 Preference shares of £1 each	50,000
	<u>300,000</u>
	31 Dec 03 £
Allotted, called up and fully paid:	
200,000 Ordinary shares of £1 each	200,000
50,000 Preference shares of £1 each	50,000
	<u>250,000</u>

During the year the company issued 200,000 £1 ordinary shares at par and £50,000 £1 preference shares at par.

The preference shares are redeemable after 31 December 2004 and before 31 December 2012.

19 PROFIT AND LOSS ACCOUNT

	Period from 17 Jan 03 to 31 Dec 03 £
Retained profit for the financial period	3,713
At 31 December 2003	<u>3,713</u>

Malakoff Limited

NOTES TO THE ABBREVIATED ACCOUNTS

for the period from 17 January 2003 to 31 December 2003



20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

EQUITY SHAREHOLDERS' FUNDS

	31 Dec 03 £
Profit for the financial period	3,713
New equity share capital subscribed	200,000
Net addition to funds	<u>203,713</u>
Closing shareholders' equity funds	<u>203,713</u>

NON-EQUITY SHAREHOLDERS' FUNDS

New non-equity share capital subscribed	50,000
Closing shareholders' non-equity funds	<u>50,000</u>

TOTAL SHAREHOLDERS' FUNDS	<u>253,713</u>
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21 CASH FLOWS

a Reconciliation of operating profit to net cash inflow from operating activities

	Period from 17 Jan 03 to 31 Dec 03 £
Operating profit	37,361
Amortisation	1,300
Depreciation	73,395
Amortisation of government grants	(13,930)
Increase in stocks	(176,229)
Increase in debtors	(686,550)
Increase in creditors	460,774
Net cash outflow from operating activities	<u>(303,879)</u>

b Analysis of cash flows for headings netted in the cash flow

Returns on investment and servicing of finance

	Period from 17 Jan 03 to 31 Dec 03 £
Interest received	17
Interest paid	(30,964)
Interest element of hire purchase	(891)
Net cash outflow from returns on investments and servicing of finance	<u>(31,838)</u>

Malakoff Limited

NOTES TO THE ABBREVIATED ACCOUNTS

for the period from 17 January 2003 to 31 December 2003



21 CASH FLOWS *(continued)*

Capital expenditure

	Period from 17 Jan 03 to 31 Dec 03 £
Payments to acquire intangible fixed assets	(20,000)
Payments to acquire tangible fixed assets	(954,741)
Receipts from sale of fixed assets	360
Net cash outflow from capital expenditure	(974,381)

Financing

	Period from 17 Jan 03 to 31 Dec 03 £
Issue of equity share capital	200,000
Issue of non-equity share capital	50,000
Increase in bank loans	500,000
Capital element of hire purchase	(5,820)
New grants received	300,000
Net cash inflow from financing	1,044,180

c Analysis of net debt

	At 17 Jan 2003 £	Cash flows £	At 31 Dec 2003 £
Cash in hand and at bank	—	717	717
Bank overdraft	—	(266,635)	(266,635)
Debt due after 1 year	—	(500,000)	(500,000)
Hire purchase agreements	—	(31,094)	(31,094)
Total	—	(797,012)	(797,012)